

Please date stamp and return the enclosed postcard evidencing receipt of these materials.

Applicants request reconsideration of the claims.

Please enter the following amended paragraphs to the Specification:

[0003] It is well established in the literature of finance that the internal rate of return (IRR) of an investment is calculated by  $IRR = r$  where

$$\left[ \left[ \sum_{i=1}^n \frac{CF_i}{(1+r)^i} = 0 \right] \right]$$

$$\sum_{i=0}^n \frac{CF_i}{(1+r)^i} = 0$$

[0004] It is also common knowledge in the finance industry and literature that the discount rate for actual IRR ( $r$ ) and the discount rate for pro forma IRR ( $r_{pf}$ ) are the same when all cash flows of an investment are multiplied by a constant  $k$ :

$$r = r_{pf} \text{ where } \left[ \left[ \sum_{i=1}^n \frac{kCF_i}{(1+r_{pf})^i} = 0 \right] \right]$$

$$\sum_{i=0}^n \frac{kCF_i}{(1+r_{pf})^i} = 0$$

[0007] Another technical definition of IRR is the discount rate required to make the positive cash flows ( $PCF$ ) resulting from the investment equal to the negative cash flows ( $NCF$ ) expended in acquiring the investment:

$$\left[ \left[ \sum_{i=1}^n \frac{NCF_i}{(1+r)^i} = \sum_{i=1}^n \frac{PCF_i}{(1+r)^i} \right] \right]$$

$$\sum_{i=0}^n \frac{NCF_i}{(1+r)^i} = \sum_{i=0}^n \frac{PCF_i}{(1+r)^i}$$

[0008] It is therefore mathematically obvious that

$$\left[ \left[ \sum_{i=1}^n \frac{kNCF_i}{(1+r)^n} = \sum_{i=1}^n \frac{kPCF_i}{(1+r)^n} \right] \right]$$

$$\underline{\sum_{i=0}^n \frac{kNCF_i}{(1+r)^i} = \sum_{i=0}^n \frac{kPCF_i}{(1+r)^i}}$$

[00017] In a diversified portfolio setting, although the IRR of *each investment* is unchanged when all its cash flows are multiplied by a constant, multiplying or dividing each of the  $i$  period cash flows of each of  $j$  investments in a portfolio of  $m$  investments by a scaling factor  $f_s$  changes the IRR of the *portfolio* to a constant value ~~IRR<sub>k</sub>~~ IRR<sub>k</sub> while leaving the IRR[ $[\cdot]$ ] of each investment unchanged. Thus,

$$IRR_k = r_{pf} \text{ where } \left[ \left[ \sum_{i=1}^n \frac{\sum_{j=1}^m f_j CF_{i,j}}{(1+r_{pf})^n} = 0 \text{ and } f_s = \frac{k}{\sum_{i=1}^n NCF_j} \right] \right]$$

$$\underline{\sum_{i=0}^n \frac{\sum_{j=1}^m f_j CF_{i-i_0,j}}{(1+r_{pf})^{i-i_0}} = 0 \text{ and } f_j = \frac{k}{\sum_{i=0}^n NCF_{i,j}}}$$

**[00026]** II. As mentioned in the Background Section above, the so-called ~~time-zero~~ time-zero IRR calculation restates all the investments in a portfolio to a common start date. The portfolio effect is to eliminate the relative timing of each of the investments in determining portfolio IRR. For example, using the same investment figures as the *Actual* numerical example above:

Please enter the following amended claims.

1. (currently amended) A process for ~~evaluating performance attribution~~ determining a numerical value of a manager's performance in a private portfolio comprising:

(a) determining an internal rate of return for the private portfolio by scaling the portfolio to a neutral weight portfolio with a common start date that is the earliest start date in the portfolio;

(b) determining an internal rate of return for the private portfolio with actual investment weights with a common start date that is the earliest start date in the portfolio;

(c) determining an internal rate of return for the private portfolio scaled to a neutral weight with actual start dates;

(d) determining an internal rate of return for the private portfolio with actual weights and actual start dates;

(e) algebraically combining the ~~returns~~ internal rates of return of steps (a) - (c) to determine a manager's return; and

(f) subtracting the manager's return from ~~the a~~ portfolio index to ~~determine performance attribution~~ produce a numerical value of the manager's performance,

wherein the portfolio index is the internal rate of return of a neutral-weight portfolio with zero-based start date.

2. (currently amended) A computer system for ~~evaluating performance attribution~~ determining a numerical value of a manager's performance in a private portfolio comprising:

(a) means for determining an internal rate of return for the private portfolio by scaling the portfolio to a neutral weight portfolio with a common start date that is the earliest start date in the portfolio;

(b) means for determining an internal rate of return for the private portfolio with actual investment weights with a common start date that is the earliest start date in the portfolio;

(c) means for determining an internal rate of return for the private portfolio scaled to a neutral weight with actual start dates;

(d) means for determining an internal rate of return for the private portfolio with actual weights and actual start dates;

(e) means for algebraically combining the returns of steps (a) - (c) to determine a manager's return; and

(f) means for subtracting the manager's return from ~~the a~~ portfolio index to ~~determine performance attribution~~ produce a numerical value of the manager's performance,

wherein the portfolio index is the internal rate of return of a neutral-weight portfolio with zero-based start date.

3. (currently amended) A computer system ~~adapted to evaluate performance attribution for~~ determining a numerical value of a manager's performance in a private portfolio comprising:

a processor and

a memory including software instructions adapted to enable the computer system to perform:

(a) determining an internal rate of return for the private portfolio by scaling the portfolio to a neutral weight portfolio with a common start date that is the earliest start date in the portfolio;

(b) determining an internal rate of return for the private portfolio with actual investment weights with a common start date that is the earliest start date in the portfolio;

(c) determining an internal rate of return for the private portfolio scaled to a neutral weight with actual start dates;

(d) determining an internal rate of return for the private portfolio with actual weights and actual start dates;

(e) algebraically combining the returns of steps (a) - (c) to determine a manager's return; and

(f) subtracting the manager's return from ~~the a~~ portfolio index to ~~determine performance attribution~~ produce a numerical value of the manager's performance,

wherein the portfolio index is the internal rate of return of a neutral-weight portfolio with zero-based start date.